

SUBCOMMITTEE NO. 1 on Education



Subcommittee No. 1

Chair, Carol Liu

Member, Robert Huff

Member, Roderick Wright

Thursday, April 15, 2010
9:30 a.m. or Upon Adjournment of Session
Room 3191, State Capitol
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Public Comment

ITEM 1. Fiscal Status of School Districts – Presentation from Fiscal Crisis & Management Assistance Team (Information Only)

DESCRIPTION: Joel Montero, Chief Executive Officer, Fiscal Crisis & Management Assistance Team (FCMAT), will provide a presentation on the financial status of local education agencies, including an update on the number of LEAs with negative and qualified certifications on the latest Financial Status Report.

BACKGROUND:

Interim Financial Status Reports. Current law requires local educational agencies (LEAs) -- school districts and county offices of education -- to file two interim reports annually on their financial status with the California Department of Education. First Interim Reports are due to the state by January 15 of each fiscal year; Second Interim reports are due by April 15 each year. Additional time is needed by the Department to certify these reports.

LEA Certification. As a part of these reports, LEAs must certify whether they are able to meet their financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when an LEA will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when an LEA may not meet its financial obligations for the current and two subsequent fiscal years.
- A negative certification is assigned when an LEA will be unable to meet their financial obligations in the current year or in the subsequent fiscal year.

First Interim Report. According to the First Interim Report for 2009-10 – the most recent report available – there are currently **12 school districts with negative certifications** (compared to 16 school districts last year) and **114 school districts with qualified certifications** (compared to 74 districts last year). In summary, the total number of school districts on the negative or qualified lists grew from **90 districts** in 2008-09 to **126 districts** in 2009-10, an increase of 36 districts (40 percent).

The 12 school districts with negative certifications at First Interim in 2009-10 – listed below -- will not be able to meet their financial obligations for 2009-10 or 2010-11.

Negative Certifications, First Interim Report, 2009-10

District	County	Budget (\$)
Val Verde Unified	Riverside	401 million
Hayward Unified	Alameda	207 million
Vallejo City Unified	Solano	143 million
Lynnwood Unified	Los Angeles	142 million
Chico Unified	Butte	105 million
Natomas Unified	Sacramento	80 million
Travis Unified	Solano	41 million
King City Joint Union High	Monterey	21 million
John Swett Unified	Contra Costa	16 million
Aromas-San Juan Unified	San Benito	11 million
Colfax Elementary Unified	Placer	4 million
Westwood Unified	Lassen	3 million

Attachment A provides a complete list of LEAs with negative or qualified certifications for the First Interim Report for 2009-10.

Preliminary FCMAT Reports for Second Interim. According to FCMAT, the Second Interim Report for 2009-10 will provide a more complete assessment of school district financial status and the number of districts on the negative and qualified list will likely increase when the final report is released by CDE in June or July. The First Interim Fiscal Reports for 2009-10 were prepared by LEAs in Fall 2009, prior to release of the Governor's January 2010-11 budget, which includes a potential of **\$1.8 billion** in additional revenue limit cuts to LEAs in 2010-11. In addition, new K-12 payment deferrals were enacted for 2010-11 as a part of the March 2010 special session.

State Emergency Loans. A school district governing board may request an emergency apportionment loan from the state if the board has determined the district has insufficient funds to meet its current fiscal obligations. Current law states intent that emergency apportionment loans be appropriated through legislation, not through the budget. The conditions for accepting loans are specified in statute, depending on the size of the loan.

For loans that exceed 200 percent of the district's recommended reserve, the following conditions apply:

- The State Superintendent of Public Instruction (SPI) shall assume all the legal rights, duties, and powers of the governing board of the district.
- The SPI shall appoint an administrator to act on behalf of the SPI.
- The school district governing board shall be advisory only and report to the state administrator.

- The authority of the SPI and state administrator shall continue until certain conditions are met. At that time, the SPI shall appoint a trustee to replace the administrator.

For loans equal to or less than 200 percent of the district's recommended reserve, the following conditions apply:

- The SPI shall appoint a trustee to monitor and review the operation of the district.
- The school district governing board shall retain governing authority, but the trustee shall have the authority to stay and rescind any action of the local district governing board that, in the judgment of the trustee, may affect the financial condition of the district
- The authority of the SPI and the state-appointed trustee shall continue until the loan has been repaid, the district has adequate fiscal systems and controls in place, and the SPI has determined that the district's future compliance with the fiscal plan approved for the district is probable.

State Emergency Loan Recipients. Eight school districts have sought emergency loans from the state since 1990. (Attachment B summarizes the amounts of these emergency loans and the status of repayments.) Two of these districts – Emery Unified and Coachella Valley Unified – have paid-off their loans. Six school districts are currently receiving state emergency loans – Emery Unified, King City Joint Union High School, Oakland Unified, Richmond/West Contra Costa Unified, Vallejo City Unified, and West Fresno Elementary.

Of the six districts with current emergency loans from the state, five remain on the negative or qualified lists at First Interim 2009-10. (King City Joint Union Higher and Vallejo City Unified are on the negative list; Emery Unified, Oakland Unified and West Contra Costa Unified are on the qualified list.) The remaining district -- West Fresno Unified – is not currently on either the negative or qualified certification lists for the First Interim Report.

King City Joint Union High School District. King City Joint Union High School was the most recent addition to the state emergency loan list. **Chapter 20; Statutes of 2009** (SB 130/Denham) provides a **\$5.0 million** emergency loan appropriation and specifies the terms for loan repayment. The bill authorizes the district to augment the emergency loan with an additional **\$8 million** of lease financing, to effectively increase the loan to **\$13 million**. The bill also requires the district to enter into a lease financing arrangement through the California Infrastructure and Economic Development Bank for the purpose of financing the emergency apportionment, including a restoration of the initial General Fund apportionment. The bill authorizes the district to sell property and use the proceeds to reduce or retire the loan, and would make the district ineligible for financial hardship assistance under the State School Facilities Program. As a requirement of the emergency loan, the Superintendent of Public Instruction (SPI), in consultation with the Monterey County Superintendent, will assume all legal rights, duties and powers of the district's

governing board. The SPI shall appoint a state administrator to act in his behalf, until certain conditions are met.

Legislative Review of Qualifying Districts. Statute added by AB 1200 (Chapter 1213; Statutes of 1991) states intent that the legislative budget subcommittees annually conduct a review of each qualifying school district. Specifically, Education Code 41326 (i) states the following:

It is the intent of the Legislature that the legislative budget subcommittees, annually conduct a review of each qualifying school district that includes an evaluation of the financial condition of the district, the impact of the recovery plans upon the district's educational program, and the efforts made by the state-appointed administrator to obtain input from the community and the governing board of the district.

STAFF COMMENTS:

- **Number of LEAs with Negative or Qualified Fiscal Status Likely to Increase at Second Interim Report.** According to FCMAT, the number of school districts with negative and qualified certifications will likely increase at Second Interim to reflect the Governor's January Budget proposals and new deferrals enacted in special session last March. Very preliminarily, FCMAT predicts the number of districts on the negative list will likely increase from **12 districts** at First Interim to **13 districts** at Second Interim in 2009-10; and the number of districts on the qualified list will likely increase from **114 districts** to **149 districts**.
- **Number of LEAs with Negative or Qualified Fiscal Status May Increase Significantly from 2008-09 to 2009-10 at Second Interim.** A comparison of FCMAT's preliminary figures for Second Interim also indicates that the total number of districts with negative or qualified status may grow from **110 districts** in 2008-09 to **162 districts** in 2009-10, an increase of 52 districts (**47 percent**). Likewise, the total number of districts with qualified or negative status increased for First Interim from a total of **90 districts** in 2008-09 to **126 districts** in 2009-10, an increase of 36 districts (**40 percent**).
- **FCMAT Budget Reduced for Next Five Years While Workload Increases.** As a part of across-the-board categorical reductions enacted in 2009, FCMAT is subject to the same five-year budget reduction provided for more than 50 categorical programs beginning in 2008-09. As a result, appropriations for FCMAT dropped 15.4 percent (below previous levels) in 2008-09 and 19.8 percent in 2009-10. The budget appropriation for FCMAT is **\$9.2 million** in 2009-10; the Governor's Budget continues at about this same level of funding in 2010-11. At the same time, FCMAT's workload has grown significantly – by at least 40 percent -- in the last year due to increases in the number of districts on the negative and qualified lists.

SUGGESTED QUESTIONS:

1. Student enrollment has been in decline statewide for the last three years. Does this explain some of the budget reductions being implemented by LEAs? What is the importance of reduction in force (RIF) for LEAs facing enrollment decline?
2. Are you aware of any other LEAs that may be facing financial insolvency and requiring a state emergency loan?
3. What is the extent of FCMAT's work with the six school districts currently receiving state emergency loans? How are these districts progressing?
4. Can you describe the most common problems faced by school districts on the negative list?
5. Have categorical flexibility and access to ending balances helped LEAs balance their budgets? Would additional categorical flexibility be helpful?
6. The 2009 budget package reduced the minimum state requirement for reserves for economic uncertainty for districts to one-third of the previously required level for 2009-10. The budget changes require districts to make progress in restoring reserves in 2010-11 and to fully restore reserves in 2011-12. What is the effect of these changes?
7. How are payment deferrals affecting LEAs, especially in light of the new intra-year deferrals enacted in special session for 2010-11? Are there some types of districts that face more of a challenge with deferrals than others?
8. Do the hardship provisions for the new deferrals in 2010-11 provide adequate protection for districts facing serious financial problems?
9. How is FCMAT handling significant increases in workload while facing a budget reduction of nearly **20 percent**?
10. What advice did FCMAT provide to LEAs about how to budget one-time federal American Recovery and Reinvestment Act (ARRA) funds?
11. There are more than 1,000 school districts of all sizes in California. As a result of budget shortfall, is there any movement among school districts toward unification as a means of achieving efficiencies?

ITEM 2. Governor's 2010-11 Budget Proposal –Emergency Repair Program

DESCRIPTION: The Governor proposes to appropriate **\$51.0 million** in one-time, Proposition 98 savings from various programs for the Emergency Repair Program (ERP) in 2010-11. This action is intended to provide funding to make up for a shortfall in actual funds compared to authorized funds provided for the program in 2008-09. These new funds will provide funding for the next \$51 million in approved projects on the ERP unfunded list.

BACKGROUND: Chapter 899, Statutes of 2004 (SB 6), which implements provisions of the *Williams* settlement agreement, requires that, commencing with the 2005-06 Budget Act, the state transfer at least \$100 million, or 50 percent of the unappropriated balance of the Proposition 98 Reversion Account – whichever is greater – to the ERP. This level of funding must continue in the budget every year until the state has provided a total of \$800 million for the program.

The ERP is administered by the State Allocation Board (SAB). Funds must be used for emergency repairs in low-performing schools, specifically schools in the lowest three deciles of the Academic Performance Index (API). Chapter 899 defines emergency repairs as repairs needed to mitigate conditions that pose a threat to the health and safety of pupils or staff.

Chapter 704/Statutes of 2006 authorized a grant-based ERP program, rather than a reimbursement-based program. Districts can now apply for funding for specific projects before undertaking the actual repair work. The new grant-based program became operational at the beginning of 2007-08. According to the SAB, the grant-based program has made it much easier for schools to access funding for emergency repairs, since school districts are no longer required to pre-pay for these projects. These changes have substantially increased the number of project requests received and approved by the ERP.

API Eligibility List. Education Code Section 1240 sets forth the process for renewing the list of API decile 1-3 schools every three years for purposes of the ERP program. The original list of decile 1-3 schools that were eligible for ERP was established effective 2004-05 through 2006-07 and was based upon the 2003 Base API.

The current list of decile 1-3 schools was established effective 2007-08 based on the 2006 Base API. This list will remain in place until the new list -- based upon the 2009 Base API -- becomes effective in 2010-11.

Projects Approved: As of March 24, 2010, the SAB has approved and funded a total of **\$338 million** in ERP projects. According to the SAB, there are an additional **\$73 million** in approved-unfunded projects and **\$664 million** in unapproved projects pending.

Types of Projects: ERP staff has provided information about the **\$73 million** in approved projects on the unfunded list. The \$73 million covers 2,716 projects for 47 school districts and 396 schools. While ERP tracks 31 different types of projects, most funding (\$64.2 million) is proposed for six project types: Heating Ventilation and Air Conditioning (\$25.3 million); Roofing (\$15.4 million); Structural Damage (\$9.2 million); Paving (\$6.6 million); Electrical (\$4.3 million); and Fire Detection (\$3.6 million).

Funding History. Annual appropriations and expenditures for ERP are summarized below. As mentioned earlier, this program is supported by appropriations of one-time funds from the Proposition 98 Reversion Account. In summary, the state currently has a total of **\$338 million for ERP** since 2005-06. Current law authorizes a total \$800 million over the lifetime of the program, so there is **\$462 million** in remaining authority for ERP.

Fiscal Year	Appropriations	Expenditures
2004-05	5,000,000	0
2005-06	196,024,000	3,500,000
2006-07	136,979,000	36,600,000
2007-08	200,000,000 -250,000,000	171,400,000
2008-09	101,000,000 -51,000,000	100,800,000
2009-10	0	25,703,000
<i>Subtotal</i>	<i>338,003,000</i>	<i>338,003,000</i>
2010-11 (Proposed)	51,000,000	51,000,000
<i>Total</i>	<i>389,003,000</i>	<i>389,003,000</i>

In recent years annual appropriations for ERP required were adjusted to respond to the state's budget shortfall and better align appropriations with expenditures. The 2008-09 budget was adjusted on the natural when anticipated one-time funds did not materialize in the Proposition 98 Reversion Account. The 2009-10 budget did not appropriate any funding for the program in 2009-10, however, due to prior year fund balances for the program, a total of \$25.7 million has been allocated by ERP in 2009-10. As of September 2009, all ERP funds have been allocated and there is no funding available for any of the \$73 million in remaining approved projects.

GOVERNOR'S BUDGET PROPOSAL: The Governor's January 10 Budget proposes to appropriate **\$51.0 million** in one-time, Proposition 98 savings from various programs

for the Emergency Repair Program (ERP) in 2010-11. This action is intended to provide funding to make up for a shortfall in actual funds compared to authorized funds provided for the program in 2008-09. More specifically, \$51 million of the \$100 million in one-time Proposition 98 funds reappropriated for ERP in 2008-09 did not materialize in 2008-09. These new funds will provide funding for the next **\$51 million** of the \$73 million projects on the current ERP unfunded list. Projects would be funded based upon the date the project applications were received by the Office of Public School Construction.

LAO RECOMMENDATION: The LAO believes that given the state's difficult situation, the Legislature has two reasonable approaches that it could take. The Legislature could meet the provisions of the Williams settlement for 2010-11 by providing at least \$100 million to the Emergency Repair Program. Alternatively, given the state has provided maximum flexibility to school districts and relaxed several requirements related to facility maintenance, the Legislature may want to consider using one-time Proposition 98 funds to backfill reductions in revenue limits or the flex item so that districts have more discretion in making spending decisions.

STAFF COMMENTS:

Dimensions and Impact of the Governor's Proposal. The Governor's proposal would provide \$51 million for approximately 125 school projects. Projects range in size from \$6.5 million to a low of \$485. Approximately 55 percent of projects are grant-based; the remaining 45 percent are reimbursement based. In spite of this diversity, \$40 million of the total approved by the Governor goes to 19 school projects that exceed \$500,000 each.

District	County	School	Amount
Oakland Unified	Alameda	Oakland Senior	6,465,744
Escondido Union Elementary	San Diego	Grant Middle	1,979,191
Moreno Valley Unified	Riverside	Moreno Valley High	1,046,443
Moreno Valley	Riverside	Moreno Valley High	5,958,017
Santa Ana Unified	Orange	Valley High	529,853
Santa Ana Unified	Orange	Saddleback High	3,282,007
Santa Ana Unified	Orange	Saddleback High	965,958
Santa Ana Unified	Orange	Santa Ana High	4,665,825
Santa Ana Unified	Orange	Santa Ana High	1,196,171
Santa Ana Unified	Orange	Wilson Elementary	1,798,250
Santa Ana Unified	Orange	Jackson Elementary	575,559
Santa Ana Unified	Orange	Freemont Elementary	3,126,553
Sacramento City Unified	Sacramento	Kemble Elementary	732,432
East Side Union High	Santa Clara	Hill High	784,061
Sacramento City Unified	Sacramento	Luther Burbank High	537,231
Sacramento City Unified	Sacramento	Sacramento High Charter	517,293
Santa Ana Unified	Orange	Hoover Elementary	1,086,422
Santa Ana Unified	Orange	Saddleback High	4,392,483
Rowland Unified	Los Angeles	Villacorta Elementary	740,644
			40,380,137

Alternative Schools and State Special Schools Ineligible for ERP Grants. The Emergency Repair Program makes funds available for schools in the lowest three deciles of the Academic Performance Index (API). In order to be eligible, decile 1-3 schools must have valid API scores. This definition excludes most of the state's 1,000 alternative schools, serving between 225,000 to 300,000 students per year, from eligibility for these program funds. In addition, while two of the State Special Schools are ranked in decile 2 of the API, they are also excluded from ERP, in spite of the fact that these schools have some projects that might otherwise be eligible for these funds.

STAFF COMMENTS: It is too early to make a recommendation on the ERP program at this time. The Subcommittee will have better information following May Revise when the state has updated revenue and expenditure data for 2010-11. At that time, the Subcommittee will need to consider how to best invest one-time Proposition 98 funds for K-12 education. The Governor's Budget currently proposes about \$1.8 billion in revenue limit reductions for K-12 schools. If reductions of this magnitude are needed in 2010-11, staff would likely recommend that the Subcommittee use the \$51 million in one-time Proposition 98 funds to offset the revenue limits for all 1,000 plus school districts and county offices of education. The \$51 million in funds proposed by the Governor for ERP would also benefit schools and districts – and since most projects are grant-based – the work would presumably stimulate their local economies. However, most of the benefit would be concentrated in fewer than ten school districts in the state.

QUESTIONS:

- 1) Can the State Allocation Board summarize the types of emergency repair projects on the approved-unfunded list that would be covered by the Governor's proposal?
- 2) Can the State Allocation Board provide an update of the \$664 million in unapproved-unfunded applications that are currently pending and how that amount compares to approximately \$462 in remaining authority for the program?
- 3) With such a wide range of costs for ERP projects, how can issues of equity and efficiency be assured for this program?
- 4) How many emergency repair projects are funded because districts did not conduct routine maintenance?
- 5) The grant based option was added to the ERP program in July 2007. How has the nature of projects changed since then? With the added grant-based option, do school districts still submit reimbursement- based projects?

ITEM 3. Legislative Analyst's Office Proposal – Kindergarten Entrance Date

DESCRIPTION: The Legislative Analyst's Office (LAO) recommends that the Legislature change statute in 2010-11 to move the age of admission to kindergarten back from December 2 to September 1 starting in the 2011-12 school year. The LAO estimates associated savings of approximately \$700 million (Proposition 98) with this proposal.

BACKGROUND:

Current Law. State law does not require children to attend kindergarten. In other words, it is not compulsory. However, if enrolled in kindergarten, a child must meet certain age eligibility requirements. More specifically, a child must turn five years of age on or before **December 2** of the school year to attend kindergarten. State law also allows a waiver of this requirement so that children may be admitted to kindergarten earlier on a case-by-case basis at the discretion of the district.

Kindergarten Entrance Requirements in Other States. According to the Education Commission of the States (ECS), states have moved toward establishing earlier kindergarten cut-off dates. As of December 2009, ECS reports that:

- **Thirty-seven states** have kindergarten entrance cut-off dates between August 1 and September 30. Twenty-nine of these states have entrance dates on or before September 2.
- **Three states** – Kentucky, Nebraska, and Maine – have cutoff dates between October 1 and October 15.
- **Four states** – California, Michigan, Connecticut, and Vermont and the District of Columbia – have kindergarten entrance dates between December 1 and January 1.
- **Six states** -- Colorado, Massachusetts, New Hampshire, New Jersey, New York and Pennsylvania -- leave determinations about kindergarten entrance-age to local schools.

In summary, only four states – including California -- have kindergarten entrance dates on or after December 1 each year. Furthermore, 29 states have entrance dates on or before September 2.

LAO PROPOSAL: The LAO recommends that the Legislature take action in 2010-11 to move the kindergarten entrance age back to September 1, but make this change beginning in the 2011-12 school year. The LAO's recommendation would require

children to have turned five prior to entering kindergarten. As is current policy, the LAO also recommends allowing parents to seek a waiver if they want to enroll a younger child. Here are excerpts from the LAO's proposal, as contained in their February 2009 publication – *The 2010-11 Budget: Proposition 98 and K-12 Education*:

In California, a child can begin kindergarten in as young as four years and nine months. This is because California's current cut-off date for entering kindergarten is December 2 of the year in which the child turns five years old. This is one of the latest kindergarten entry dates in the nation. In recent years, the California Performance Review, the Governor's Committee on Education Excellence, and numerous legislative proposals have suggested moving the kindergarten entrance date back to September 1.

Research Suggests Positive Effects on Children. Per the LAO, many have argued that entering kindergarten before turning five years of age is too young, and beginning school at an older age would benefit children's academic performance and social development. Data suggest children who are older when they start kindergarten tend to perform better on standardized tests. Some research suggests this change also may lead to other positive student outcomes, including less chance of grade retention and higher earnings as an adult. The research is somewhat varied on the factors that contribute to these positive effects, mentioning family characteristics, preschool experience, and the relative age of the child as important influences on later student outcomes. Taken together, this body of research suggests that changing the kindergarten entry age would be generally positive, with no overall negative effect on children's academic achievement.

Change Could Lead to Budgetary Savings. The LAO's economic forecast suggests the state and schools will face another tight budget situation in 2011-12. Because of the ambiguity surrounding the Proposition 98 minimum guarantee, we are not certain that changing the kindergarten start date would have any effect on the amount the state is required to spend on schools in 2011-12. Even if the change does not result in state savings, however, it could help ease the budget crunch for schools. Changing kindergarten eligibility for roughly 100,000 children born between September and December would mean schools would be required to serve fewer students. The LAO estimates that having 100,000 fewer kindergarteners in 2011-12 could free up roughly **\$700 million** from revenue limits and categorical programs. These funds could be redirected for other K-12 purposes, including a portion for subsidized preschool for any affected low-income children.

RELATED LEGISLATION: In recent years, there have been numerous legislative proposals that have suggested moving the kindergarten entrance date back from December 1 to September 1, although none of these bills has been successful to date. There are currently two bills before the Legislature on this topic that would change the date back to September 1:

- **SB 1381 (Simitian).** Moves up the age of admission to kindergarten from December 1 to September 1, but phases-in implementation by moving admission

age up one month each year for three years, beginning in 2012-13. This measure redirects half of the savings to the State Preschool Program. **Status:** Senate Education Committee.

- **AB 1967 (Mendoza).** Moves up the age of admission to kindergarten from December 1 to September 1, by one month each year over a three year period beginning in 2011-12. **Status:** Assembly Education Committee.

STAFF COMMENTS:

- **LAO Proposals Based on Positive Research and Savings.** The LAO believes that its proposal (1) is supported by research that suggests positive benefits for students from being older in kindergarten and (2) produces savings (without a cut) that can help districts in what is predicted to be another difficult year in 2011-12.
- **Vast Majority of States Have Earlier Entrance Dates Than California.** Only four states – including California -- have kindergarten entrance dates on or after December 1 each year. Thirty-seven states have entrance dates before the end of September, and 29 of these dates have start dates on or before September 2 each year.
- **Strong Legislative Interest in Policy.** There is definitely legislative interest on the policy side of this proposal – as evidenced by the two current bills before the Legislature and the large number of bills in the past.
- **Potential of Significant Savings that Could be Redirected as Needed.** The LAO estimates that changing the start date to September 1 could reduce kindergarten enrollment by approximately 100,000 students in that year, which could free up roughly **\$700 million** from revenue limits and categorical programs such as subsidized preschool for affected children from low-income families.

STAFF RECOMMENDATIONS: While the LAO's proposal has provided a preliminary assessment of the possible costs savings for this proposal, staff believes that more information is needed to fully assess this as a budget proposal. For this reason, staff suggests that the Subcommittee request the LAO develop a more complete fiscal analysis of the possible savings for their proposal for the Subcommittee to consider following May Revise. As a part of this fiscal analysis, staff suggests the LAO assume preschool or child care coverage is provided for low-income children affected by the proposal.

SUGGESTED QUESTIONS:

- 1) The LAO estimates state savings of \$700 million from moving the kindergarten start date back to September 1. Can the LAO provide more information about state savings?

- 2) What are the major variables in determining state savings? For example, how does possible loss of 100,000 kindergarten students in 2010-11 offset by enrollment growth not occurring in kindergarten?
- 3) Would estimated savings affect the amount of funding available for schools within Proposition 98 or could it affect the Proposition 98 base?
- 4) With an estimated savings of \$700 million, the LAO suggests that some of these funds could be redirected for a portion for subsidized preschool for any affected low-income children. Can the LAO provide more detail on this? Could some children be served by the federal Head Start program?
- 5) What are the advantages/disadvantages of implementing this proposal in one year vs. phasing it in over several years? For example, would this approach allow the field more time to adjust to the need for more child care services for young children?
- 6) Is there any data on how many families already wait until their children are five to enroll them in kindergarten?
- 7) What has the experience been for states that have moved their kindergarten cut-off dates back to September 1 in recent years? For example, Hawaii reportedly passed legislation to change the cut-off date from December 31 to August 1, beginning with the 2006-07 school year?
- 8) Given California is one of four states with the latest entrance dates in the country, how important is it that California be more aligned to start dates in the rest of the country?

ITEM 4. DOF April Letters – Various State Operations and Local Assistance Federal Fund Adjustments (Consent Vote)

DESCRIPTION: The Department of Finance (DOF) proposes the following technical adjustments to various federal state operations and local assistance items in the 2010-11 budget. These revisions are proposed by the DOF April 1 Budget Letter. These issues are considered technical adjustments to update budget appropriation levels so they match the latest federal estimates and utilize funds consistent with current programs and policies.

Federal Funds – State Operations Items

1. Add One-Time Carryover Authority for Document Translation Workload (Issue 278). It is requested that Item 6110-001-0890 be increased by \$250,000 federal Title III funds and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover. These funds will support the continued translation of parental notification and information forms in multiple languages to assist school districts in complying with the requirements of current law. The carryover is a result of delay in securing contracts with vendors to translate parental notification documents.

It is further requested that provisional language be added to conform to this action as follows:

X. Of the funds appropriated in this item, \$250,000 is available in one-time carryover funds to support additional translations of parental notification and information templates.

2. Add One-Time Reimbursement Authority for Specialty Crop Block Grant Program (Issue 643). It is requested that Item 6110-001-0001 be increased by \$180,000 in reimbursement authority to reflect one-time federal funds available from the California Department of Food and Agriculture (CDFA). The Specialty Crop Block Grant funds will be used to promote the consumption of fresh fruits and vegetables among preschoolers.

It is further requested that provisional language be added to Item 6110-001-0001 as follows to conform to this action:

X. Of the funds appropriated in this item, \$180,000 is provided in one-time reimbursement authority for Specialty Crop Block Grant Funds from the California Department of Food and Agriculture.

3. Administration of Commodity Supplemental Food Program (Issue 644). It is requested that Item 6110-001-0890 be increased by \$45,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the anticipated approval of administrative

funds for the Commodity Supplemental Food Program (CSFP). In 2009-10, the SDE received approval from the United States Department of Agriculture (USDA) to retain an additional \$45,000 to implement the CSFP. The SDE expects to receive this additional allowance in future years but cannot request it until information about final funding is received in December.

It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

X. Of the funds appropriated in this item, \$45,000 is for the administration of the Commodity Supplemental Food Program, contingent on approval from the United States Department of Agriculture.

4. Special Child Nutrition Grants Programs (Issue 645). It is requested that Item 6110-001-0890 be increased by \$2,235,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the anticipated receipt of special child nutrition grants for the Summer Food Service, Administrative Reviews and Training, Team Nutrition, Direct Certification, and Fresh Fruit and Vegetable Programs. These grants are awarded by the USDA, and the funds would be used to develop and implement training needed to implement federal requirements associated with the Child Nutrition Program.

It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

X. Of the funds appropriated in this item, \$2,235,000 is provided for the following special child nutrition grants, contingent on receipt of grant awards from the United States Department of Agriculture: \$1.0 million on a one-time basis for the Summer Food Service grant, \$535,000 for the Administrative Reviews and Training (ART) grant, \$300,000 for the Team Nutrition grant, \$250,000 for the Direct Certification grant, and \$150,000 for the Fresh Fruit and Vegetable grant.

5. Support for Completion of Child Nutrition Information and Payment System (CNIPS) (Issue 647). It is requested that Item 6110-001-0890 be increased by \$125,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect the availability of funds to extend CNIPS project management contracts through December, 2010. These contracts will support the completion of CNIPS, which is critical to the state's Child Nutrition Program.

It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

X. Of the funds appropriated in this item, \$125,000 is available on a one-time basis to extend project management contracts to support completion of the Child Nutrition Information and Payment System implementation.

6. Support for CNIPS Interface with Federal Computer System (Issue 648). It is requested that Item 6110-001-0890 be increased by \$247,000 Federal Trust Fund and that Item 6110-001-0001 be amended to reflect one-time funds available to develop the interface between the state's Child Nutrition Information and Payment System and the United States Department of Agriculture's (USDA's) new computer system. This federally required system compatibility will facilitate tracking orders of food commodities from the USDA.

It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:

X. Of the funds appropriated in this item, \$247,000 is available on a one-time basis to develop the interface between the Department of Education's Child Nutrition Information and Payment System and the United States Department of Agriculture's new Web-Based Supply Chain Management System.

Federal Funds – Various Local Assistance Items

7. Item 6110-102-0890, Local Assistance, Learn and Serve America Program (Issue 402). It is requested that this item be increased by \$585,000 to reflect a \$468,000 increase in the federal grant and \$117,000 in one-time carryover. The Learn and Serve America Program provides opportunities for students to engage in academic based service-learning projects.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$117,000 reflects one-time carryover funds for the Learn and Serve America Program.

8. Item 6110-103-0890, Local Assistance, Robert C. Byrd Honors Scholarship Program (Issue 649)—It is requested that this item be increased by \$114,000 Federal Trust Fund to align the budget appropriation with the federal grant award. These funds will be used to recognize exceptionally able high school seniors who show promise of continued excellence in postsecondary education.

9. Item 6110-112-0890, Local Assistance, Public Charter Schools Grant Program (Issue 723). It is requested that this item be decreased by \$780,000 federal Public Charter Schools Grant Program (PCSGP) funds. This adjustment includes a decrease of \$1,871,000 to align with the estimated federal grant award and an increase of \$1,091,000 in available one-time carryover funds. The PCSGP provides planning and implementation grants to new startup and conversion charter schools and best practices dissemination grants.

It is further requested that provisional language be added to conform to this action.

X. Of the funds appropriated in this item, \$1,091,000 reflects one-time carryover funds.

10. Item 6110-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 291, 292, 297, and 298). It is requested that Schedule (1) of this item be increased by ~~\$7,810,000~~ \$7,747,000 Title I Migrant Education Program funds. This adjustment includes a decrease of ~~\$590,000~~ \$653,000 to align the Migrant Education Program with the anticipated federal grant award and an increase of \$8.4 million to reflect the availability of one-time federal carryover funds. LEAs will use these funds for educational and support services to meet the needs of highly-mobile children.

It is also requested that Schedule (2) of this item be ~~increased~~ decreased by ~~\$1,574,000~~ \$1,907,000 federal Title III funds. This adjustment includes a decrease of ~~\$126,000~~ \$3,607,000 to align the federal Title III English Language Acquisition Program with the anticipated federal grant award and an increase of \$1.7 million to reflect the availability of one-time federal carryover funds. LEAs will use these funds for services to help students attain English proficiency and meet grade level standards.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), ~~\$8.4 million~~ \$8,400,000 is provided in one-time carryover funds to support the following existing program activities: (1) extended day/week and summer/intersession programs to help prepare middle and secondary students for the high school exit exam, (2) investments aimed at upgrading curricula, instructional materials, educational software, and assessment procedures, (3) tutorials and intensified instruction, and (4) investments in technology used to improve the proficiency of limited English proficient students.

X. Of the funds appropriated in Schedule (2), ~~\$1.7 million~~ \$1,700,000 is provided in one-time carryover funds to support the existing program.

11. Item 6110-134-0890, Local Assistance, Title I Basic Elementary and Secondary Education Act Program (ESEA) (Issues 301 and 302). It is requested that Schedule (4) of this item be increased by ~~\$19,976,000~~ \$37,653,000 federal Title I funds. This adjustment includes an increase of ~~\$15,876,000~~ \$33,553,000 to align the Title I Basic ESEA program with the anticipated federal grant award and an increase of ~~\$4.1 million~~ \$4,100,000 to reflect the availability of one-time federal carryover funds. LEAs will use these funds to support services that assist low achieving students enrolled in the highest poverty schools.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (4), ~~\$4.0 million~~ \$4,100,000 is provided in one-time carryover funds to support the existing program.

12. Item 6110-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program and Title I Even Start Program (Issues 293, 295, and 296). It is requested that Schedule (1) of this item be decreased by \$4,310,000 federal Title I McKinney-Vento Homeless Children Education funds. This adjustment includes a decrease of ~~\$4.7 million~~ \$4,737,000 to align the McKinney-Vento Homeless Children Education Program with the anticipated federal grant and an increase of \$427,000 to reflect the availability of one-time federal carryover funds. LEAs will use these funds to provide services to homeless students.

It is also requested that Schedule (2) of this item be increased by ~~\$640,000~~ \$688,000 federal Title I Even Start funds. This adjustment includes an increase of \$48,000 to align the Even Start program with the anticipated federal grant award and an increase of \$640,000 to reflect the availability of one-time carryover. LEAs will use these funds to improve the educational opportunities of low-income families and to support a unified literacy program that integrates early childhood education and parenting education.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in Schedule (1), \$427,000 is provided in one-time carryover funds to support the existing program.

X. Of the funds appropriated in Schedule (2), \$640,000 is provided in one-time carryover funds to support the existing program.

13. Item 6110-166-0890, Local Assistance, Vocational Education Program (Issue 405). It is requested that this item be increased by \$6,035,000 federal Vocational Education funds to reflect \$6.5 million in one-time carryover and a decrease of \$465,000 in the federal grant. The federal Vocational Education Program develops academic, vocational, and technical skills of students in high schools, community colleges, and Regional Occupational Centers and Programs.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$6.5 million is provided from one-time carryover funds for Vocational Education Programs.

14. Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 144). It is requested that this item be increased by ~~\$2,272,000~~ \$3,000,000 federal Title II funds to reflect one-time carryover. The Mathematics and

Science Partnership Program provides competitive grant awards to partnerships of low-performing schools and institutes of higher education to provide staff development and curriculum support to mathematics and science teachers.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, ~~\$2,272,000~~ \$3,000,000 is provided in one-time carryover funds to support the California Mathematics and Science Partnership Program.

15. Item 6110-240-0890, Local Assistance, Advanced Placement Fee Waiver Program (Issue 650). It is requested that this item be increased by \$1,578,000 Federal Trust Fund to align the budget appropriation with the federal grant award and to reflect the availability of \$871,000 in one-time carryover funds for the Advanced Placement (AP) Fee Waiver Program. These funds will be used to reimburse school districts for specified costs of AP test fees paid on behalf of eligible students. The AP program allows students to pursue college-level course work while still in secondary school.

It is further requested that provisional language be added to Item 6110-240-0890 as follows to conform to this action:

X. Of the funds appropriated in Schedule (2) of this item, \$871,000 is provided in one-time carryover funds to support the existing program.

ACTION ITEM: STAFF RECOMMENDATION (CONSENT): Staff recommends approval of all of the DOF April Letter proposals listed above, including staff revisions highlighted for some issues. These revisions provide corrections to the April Letter requested by both CDE and DOF. No issues have been raised for any of these issues.

OUTCOME: Approved all issues (#1-15) with revisions per staff recommendation. (Vote: 3-0)

6110 CALIFORNIA DEPARTMENT OF EDUCATION

ITEM 5. DOF April Letters -- State Special Schools -- Capital Outlay Funding Reappropriations --6110-490 (Consent Vote)

DESCRIPTION: The Department of Finance April Letter requests that a new budget item be added to the 2010-11 Budget Act to reflect the reappropriation of the unencumbered balances of the bond funded appropriations for four capital outlay projects at the California School for the Deaf - Riverside.

DOF APRIL LETTER REQUEST: Pursuant to Budget Letter 08-33 in December 2008, state departments were directed to suspend any projects that require cash disbursement from Pooled Money Investment Account loans. In order to comply with this budget letter, the California Department of Education (CDE) suspended project activities for four lease-revenue bond funded projects at the State Special School in Riverside. These projects were all authorized in previous state budgets. As a result of suspension, implementation of these projects was delayed in 2008-09 and 2009-10 and it is now necessary to reappropriate the unexpended fund balances for these projects to allow CDE to fulfill its obligations for the identified projects once they are able to resume. The four DOF April Letter requests are outlined below.

Addition of Budget Bill Item 6110-490, Capital Outlay, Department of Education (Issue 350). It is requested that Item 6110-490 be added to reappropriate the unencumbered balances of the bond funded appropriations for four CDE projects at the California School for the Deaf - Riverside. Funding for these projects was originally appropriated in the Budget Acts of 2005, 2006, 2007, and 2008. This request will add budget authority in the 2010-11 budget for the unencumbered balances of these four projects, as follows:

- **\$22,467,000** for the New Gymnasium and Pool Center Project – Construction and Equipment.
- **\$18,009,000** for the Career and Technical Education Complex and Service Yard Project -- Construction and Equipment.
- **\$12,273,000** for the Kitchen and Dining Hall Renovation Project – Construction and Equipment.
- **\$9,727,000** for the Academic Support Core, Bus Loop and Renovation Project – Working Drawings, Construction and Equipment.

ACTION ITEM: STAFF RECOMMENDATION (CONSENT): Staff recommends approval of the DOF April Letter request to allow reappropriation of funds for four capital outlay projects at the School for the Deaf –Riverside. These bond funded projects were approved in previous state budgets with state lease revenue bonds. No issues have been raised for any of these items. **OUTCOME: Approved. (Vote: 3-0)**

6360 COMMISSION ON TEACHER CREDENTIALING

ITEM 6. DOF April Letters – Credential Web Interface Project Reappropriation (Consent Vote)

DESCRIPTION: The Department of Finance April Letter requests that funding authority for the Commission on Teacher Credential TC state operations budget be increased by **\$413,000** in the 2010-11 Budget Act to reflect the reappropriation of one-time funds available for completion of the Credential Web Interface Project.

DOF APRIL LETTER REQUEST:

Item 6360-001-0408, State Operations, Add Funding for the Credential Web Interface Project (Issue 150). Requests an increase of \$413,000 to the budget item for the Test Development and Administration Account, Teacher Credentials Funds to reflect the availability of one-time funds for the completion of the Credential Web Interface Project (CWIP). This project would allow the Commission on Teacher Credentialing (CTC) to capitalize on its existing infrastructure to consolidate data bases into one unified system, streamline the processes for updating and posting information, and eliminate more costly contract services by bringing in-house the internet-based client interface that stakeholders use to access credential data.

The Budget Act of 2009 provided \$413,000 on a one-time basis for this project; however, the development of the business and technical requirements has delayed the Request of Offers. The CTC is currently in the process of selecting a contractor to manage the project and does not anticipate completing the project in the current year. Therefore, the current appropriation will revert.

It is further requested that provisional language be added as follows to conform to this action:

X. Of the funds appropriated in this item, \$413,000 is available on a one-time basis to contract for the completion of the Credential Web Interface Project.

ACTION ITEM: STAFF RECOMMENDATION (CONSENT): Staff recommends approval of the DOF April Letter request to allow reappropriation of one-time funds to complete the Credential Web Interface Project. These funds were previously approved in 2009-10. No issues have been raised for this item. **OUTCOME: Approved. (Vote: 3-0)**

ATTACHMENT A

First Interim Status Report, 2009-10

<http://www.cde.ca.gov/fg/fi/ir/first0910.asp>

ATTACHMENT B

State Emergency Loans 1991-2010

<http://www.cde.ca.gov/fg/fi/ir/documents/loanlist.doc>